

Imports and Domestic Business

THIS article presents an analysis of the broad characteristics and changing structure and sensitivity of United States import demand since the early 1920's. It has entailed a large-scale statistical reclassification of the official import data covering the period beginning in 1923 and extending through the first half of 1955. The indexes of imports in constant dollars presented in the charts are based upon the actual quantity composition of imports in each year expressed in 1953 import unit values.

In the groupings utilized here imports are classified primarily according to the particular sectors of the economy with which demand is most logically associated—business, consumers, and farmers. Most of the Government's purchases of imported items consist of industrial raw materials for the strategic stockpile. Such Government imports are included with business purchases but are treated separately in the discussion below.

Because of their predominant weight in the overall imports and basic shifts in the domestic economy affecting their composition, imports of industrial raw materials have been further subdivided into those associated with the production of durable goods (including rubber and other materials incorporated in finished durable manufactures), those consumed by softgoods industries (except petroleum and newsprint), petroleum and products, and newsprint. This breakdown maintains the benefits to be derived from a summary approach. Yet, by permitting comparisons of imports with closely associated indicators of domestic demand, it makes possible a more lucid explanation of the behavior of these imports than can be obtained by comparing their aggregate with the index of total domestic manufacturing output. Imports of finished producers' equipment, although relatively insignificant, have also been identified separately in this study.

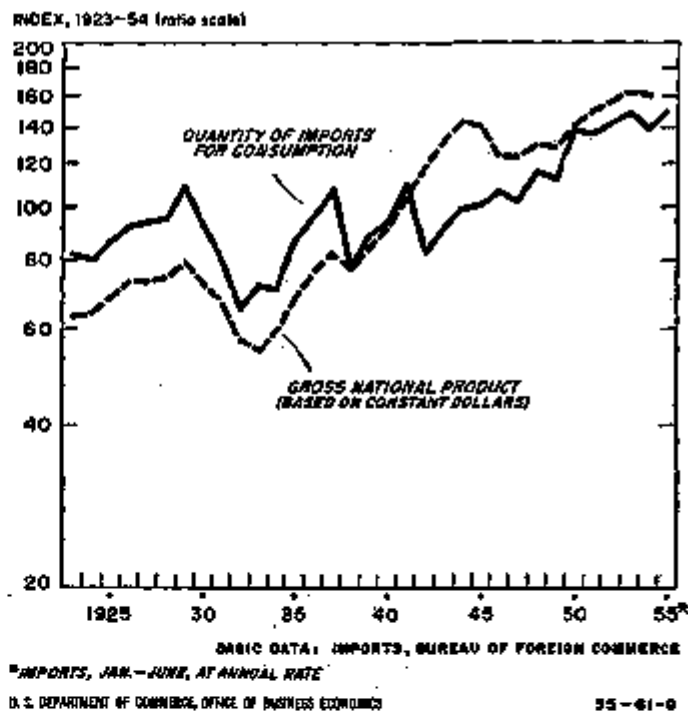
Items imported primarily for consumer use have been subdivided into food, beverages, and tobacco; diamonds, and finished goods. This facilitates an examination of their movement in terms of shifts in the consumer buying pattern as well as changes in disposable personal income. Aside from imports associated with business and consumer demand, those utilized mainly by farmers comprise most of the residual. Noncommercial imports and sporadic Government imports of military equipment which can hardly be analyzed in terms of movements in the domestic economy constitute the "all other and unclassified" grouping shown in table 1.

Imports and gross national product

The chart depicts the strong but shifting relationship since 1923 between the volume of total merchandise imports and the gross national product in constant dollars. After allow-

ing for the initial recovery of imports in the years immediately following World War II, the rise in imports during the postwar period has, in general, tended to parallel the expansion in the gross national product. During the postwar period, however, the relationship between imports and the gross national product was lower than in the prewar years 1923-37. This suggests the influence of technological changes, including the accelerated development of domestic substitutes for and economies affected in the use of imported materials during World War II.

Imports and Gross National Product



From the discussion and charts which follow it will likewise be apparent that there is a considerable lack of uniformity in the rates of growth of individual economic variables with which demands for major categories of imports are associated. The responses of raw materials and other major groups of imports to such shifting impulses in the domestic economy, moreover, were widely different.

Changed pattern of raw material imports

During the entire period under study imports of industrial raw materials as a group have accounted consistently for

NOTE.—MISS BRADSHAW, MR. ROXON, AND MR. LECHTER ARE MEMBERS OF THE BALANCE OF PAYMENTS DIVISION, OFFICE OF BUSINESS ECONOMICS.

about one-half or more of the value of total imports. Within the raw materials group itself, however, there was little consistency in the relationships of individual components to the total.

The chart on p. 19 contrasts the strong upsurge in imports of petroleum and products and newsprint and the significant though less spectacular long-term rise in imports of materials consumed by durable-goods industries, with the lag in imports used in the manufacture of nondurable goods. While during the interwar period the latter category (which excludes newsprint and petroleum) had comprised the most important single group of imported industrial raw materials, accounting in the 1920's for nearly one-half the total, in the first half of 1955 it comprised less than one-fifth of the aggregate of such imports.

Imports of materials for use by durable-goods industries have moved to a predominant position, currently comprising one-half the total value of imports of all industrial raw materials. These changes clearly establish that the shifting structure of domestic manufacturing activity was one of the major factors affecting the demand for raw material imports.

Softgoods industries depend less on imports

The relatively smaller growth in textile, apparel and leather manufacturing than in output of other industries during the postwar period, as evidenced by a comparison of the various production and demand indicators shown in the chart, explains much of the relative weakness in imports of fibers, semifinished textiles, hides, leather, furs, and related materials. As discussed below, during the postwar period consumer purchases of such softgoods have accounted for a significantly smaller share of total personal consumption expenditures than during prewar years.

It is also apparent that after World War II, and especially since 1950, these raw material imports have been much lower relative to production in the softgoods industries than in the prewar period. This change obviously resulted from the lessened dependence on such imports as silk, wool, and leather as domestically produced synthetic materials such as fibers and plastics were developed. It also reflects this country's growing self-sufficiency in the production of items such as cattle hides, fats and oils, and long staple cotton.

As our dependence upon foreign supplies of these items has diminished, the percent change in imports in this category associated with a given percent change in output of related manufacturing industries was greater than before the war. Furthermore, the ups and downs in the volume of imports associated with such changes in production have become relatively far greater than in the case of other groups of raw material imports (see chart). In this connection it is perhaps significant that only a negligible portion of the imports in this group is supplied by American-owned producing facilities abroad. Such facilities, on the other hand, are prominent suppliers of imports of other raw materials (see discussion below).

Imports support rising hardgoods production

During the first half of 1955 imports of raw materials associated with durable-goods production were at an annual rate of \$3 billion, over two and one-half times as large as imports related to softgoods output (other than petroleum and newsprint imports).

The chart shows that the rise in imports associated with durable-goods manufacturing—relative to imports associated with softgoods production—was due only in part to the growing weight of durable-goods output in the pattern of

domestic industry. Although there was some decline after World War II in the relationship of this group of imports to related manufacturing activity, this change has been far less pronounced than the corresponding decline occurring in the case of materials used in nondurable-goods production.

In many respects technological advances made during and since World War II have enhanced, rather than lessened, this country's dependence on imports of a number of commodities in this group. It is true that our reliance upon natural rubber, which was by far the largest item in this category during the interwar period, was substantially lessened by the development of the domestic synthetic industry. The introduction of more efficient processing methods likewise reduced this country's dependence on tin imports. The effects of these changes have been largely counterbalanced, however, by the development of numerous other new techniques such as improvements in the quality of alloy steels, which have gained a wider use and growing importance in total steel production. This has entailed a need for large imports of nickel, zinc, tungsten, chrome, cobalt, and other metals which the United States does not produce in sufficient volume to supply its requirements.

Table 1.—United States General Imports by Major End-Use Categories

End-use category	Prewar period				Postwar period					
	Average 1933-1939		Average 1930-1939		Average 1945-1949		Average 1950-1954		1955 (Jan.-June at annual rate)	
	Millions of dollars	Per cent of total	Millions of dollars	Per cent of total	Millions of dollars	Per cent of total	Millions of dollars	Per cent of total	Millions of dollars	Per cent of total
Total imports	4,184	100	2,140	100	6,111	100	10,328	100	11,428	100
Industrial raw materials, total	2,275	55	1,115	52	2,340	38	5,485	53	5,744	50
Materials used in durable-goods production	900	22	450	21	1,425	23	2,900	28	2,980	27
Materials used in nondurable-goods production ¹	1,040	25	425	20	990	16	1,270	12	1,095	10
Newsprint and paper base stocks	220	5	180	8	600	10	800	8	880	8
Petroleum and products	115	3	60	3	235	4	995	10	995	9
Other imports:										
Producers' durables (excl. farm machinery)	20	1	10	1	30	(?)	105	1	130	1
Coffee	275	7	150	7	940	15	1,355	13	1,310	12
Other food, beverages, and tobacco	725	18	470	22	1,200	20	1,740	17	1,870	17
Nondurable consumer goods	330	8	245	11	490	8	940	9	1,000	10
Goods used in agricultural production	190	4	100	5	260	4	435	4	420	4
All other and unclassified	84	2	50	2	154	2	105	1	228	2

1. Not elsewhere classified; mainly fibers and leather.

2. Less than one-half of one percent.

Source: U. S. Department of Commerce, Office of Business Economics; basic data, Bureau of the Census.

Notwithstanding the repeated rounds of expansion domestic aluminum-producing facilities, greatly increased imports have been required to supply this country's mounting demands arising largely from new uses which have been developed in recent years. At the same time the aluminum industry itself has relied largely upon foreign sources to supply its expanded requirements for bauxite.

Over the long period pictured in the chart the United

States has also become relatively less self-sufficient in some other key raw materials such as copper and iron ore. American industrial interests have thus been active in developing new foreign sources of supply. United States direct investments in mining, smelting, and primary metal manufacturing industries abroad, concentrated mainly in the Western Hemisphere, had more than doubled in value by 1954 as compared with the years before World War II. Imports of metals and minerals from such American-owned producing facilities abroad amounted to an estimated \$800 million or more at an annual rate in the first half of 1955, accounting for more than 40 percent of total imports of metals and minerals. It is currently anticipated that such imports, particularly iron ore, bauxite, and copper, will bulk much larger when production and shipments from existing and currently-planned facilities reach a maximum.

The fact that American companies had developed low-cost foreign resources to supplement diminishing high-grade domestic supplies may help to explain why this category of raw material imports is less sensitive to changes in associated manufacturing activity than imports which are related to nondurable-goods output. In the first half of 1955 the response of raw material imports to rising durable-goods output was considerably slower than that displayed by fibers and similar imports (see chart). The chart also shows that the downward adjustment in durable-goods production from 1953 to 1954 coincided with a relative change in imports of about the same magnitude, whereas the corresponding downturn in output of textiles, apparel, and leather produced a much larger relative decline in associated raw material imports. A similar demonstration of the comparatively smaller sensitivity of metals and related imports to business fluctuations occurred in the 1948-49 period.

Impact of Government stockpiling

An additional element influencing the movement of this group of imports during the postwar period was the Government's strategic stockpiling program. The impact of this program upon imports cannot be completely isolated from the effect produced by other factors. It appears, however, that the smaller decline in imports than in associated manufacturing production from 1948-49 can be attributed largely to the concurrent \$300 million increase in expenditures for stockpile items involving mainly imported materials such as rubber and metals.

In the 1953-54 period, although purchases for the Government stockpile declined by about \$60 million, the reduction in the volume of imports in this group as a whole was at least no greater than the corresponding adjustment in durable-goods output. After allowing for Government stockpile purchases, it thus appears that imports in this group declined less relative to durable-goods output during 1953-54 than in 1948-49. This may be attributed in part to the continued accumulation of industrial inventories of imported metals such as lead and zinc through the first half of 1954. Since then, however, the current tightness which has developed in the supply of copper, aluminum, and some other metals has induced the Government to reduce its purchases of these materials and also to relinquish some of its stocks to industry.

Influence of domestic building activity

Another factor which must be considered in analyzing trends in this category of raw materials imports is that many of these items such as copper, asbestos, lumber and steel are used as building materials as well as in durable-goods produc-

tion. The postwar boom in housing and new construction provided a major stimulus to such imports. The value of lumber imports during 1955 may amount to \$350 million or more as compared with \$43 million in 1929 and \$21 million in 1937. Imports of plywoods and veneers, nonexistent during the interwar period, were at an annual rate of \$70 million during the first half of 1955. Foreign paperboard, shingles, gypsum, and structural steel also became more important as materials used in domestic building. Despite these larger imports domestic production continues to provide an overwhelming portion of the total supply of building materials.

European durable-goods industries also active

The growing strength in prices of this group of imported raw materials, relative to prices of imports associated with nondurable-goods production, resulted from active demands in Europe as well as in the United States. Since the period before World War II European manufacturing output has expanded along lines similar to production in the United States. From 1937 to the first half of 1955 the metal products industries of Western Europe increased their output by about 90 percent, while the textile industries expanded their production by scarcely 15 percent.

It is true that the sizable expansion in European hardgoods output as compared with 1937 did not match the corresponding gains made in United States production, either on a relative or absolute basis. Yet it appears that during the postwar period European import demands have assumed increasing weight, relative to United States import requirements, in determining world prices for at least some related raw materials. This is not a surprising development considering Europe's traditional lack of natural resources for a number of industrial materials in which the United States is either completely or partially self-sufficient—and the consequently stronger response of European import than of United States import demands to expanded manufacturing output. It is also significant that, in certain respects, technological changes such as the substitution of synthetic for natural rubber, since World War II have had a smaller impact upon the pattern of European import demand than upon the structure of United States import requirements.

Petroleum imports

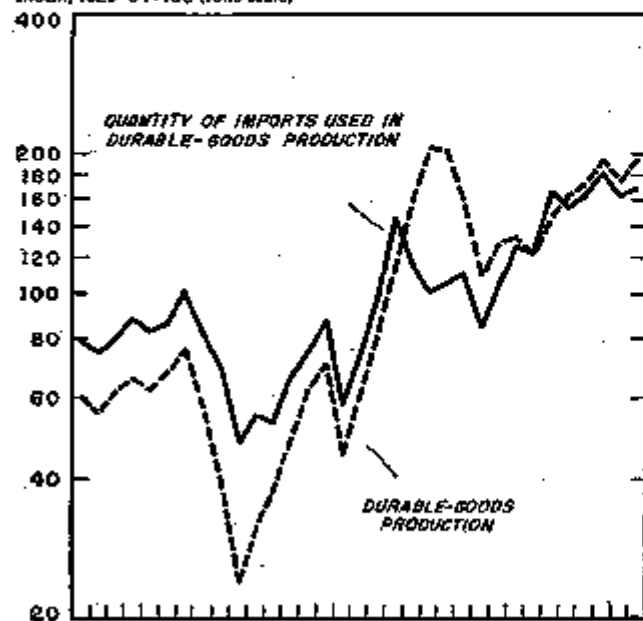
The chart indicates that the rise in imports of petroleum and products after World War II far outstripped the advances in other types of raw material imports. Such imports reached an annual rate of \$1 billion in the first half of 1955, accounting for 17 percent of total imports of industrial raw materials and 9 percent of total imports of all commodities.

The secular rise in domestic demand for petroleum was considerably greater than the corresponding increase in total energy utilization. This trend obviously reflects the large-scale expansion in the production and use of motor vehicles and aircraft and the growing popularity of petroleum, relative to other fuels, in home and industrial heating and in railroad and utility operation. Although rising domestic production has continued to supply the bulk of these enlarged requirements imports have become relatively more significant in the overall supply picture, especially since World War II.

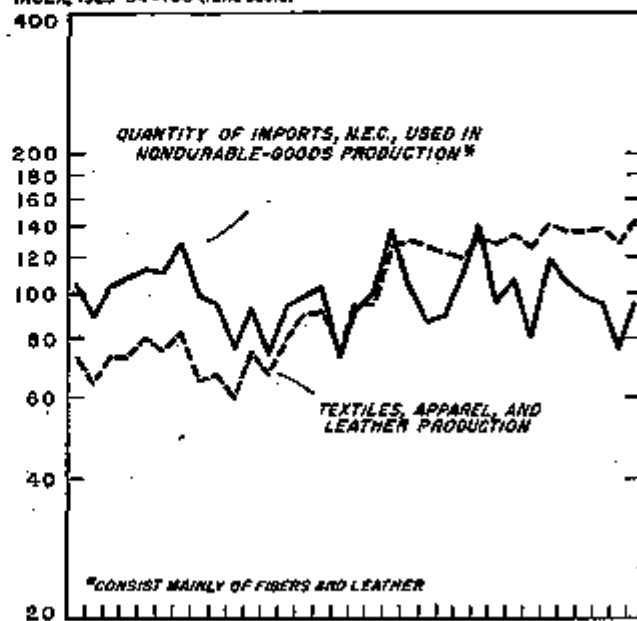
During the 1948-49 period of adjustment in domestic business activity the demand for petroleum remained stable and imports increased, offsetting in part the decline in imports of most other types of raw materials. From 1953 to 1954

Imports of Selected Industrial Raw Materials and Indicators of Related Domestic Demand

INDEX, 1923-54 = 100 (ratio scale)

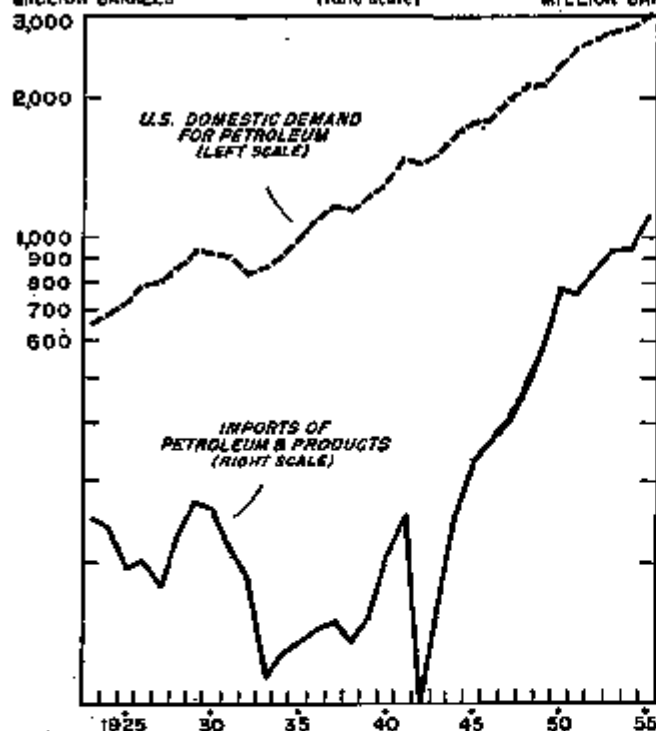


INDEX, 1923-54 = 100 (ratio scale)

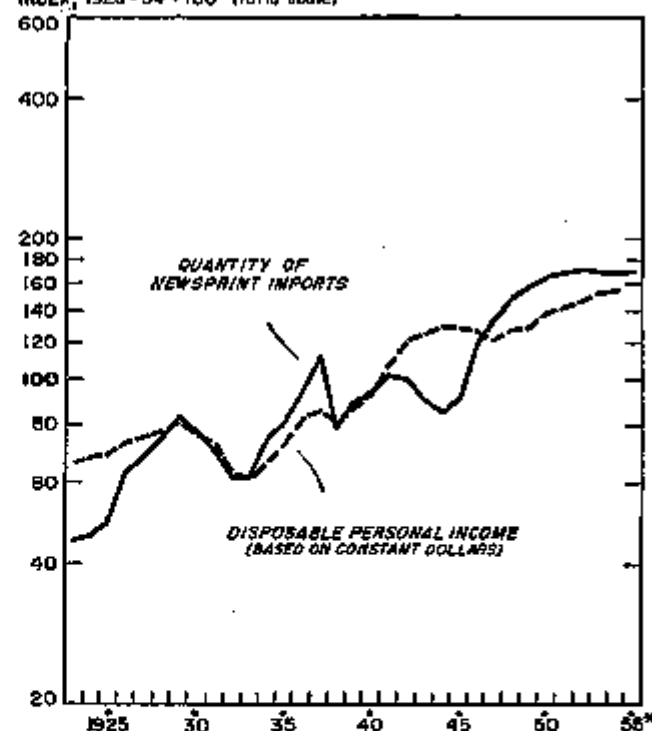


*CONSIST MAINLY OF FIBERS AND LEATHER

MILLION BARRELS (ratio scale)



INDEX, 1923-54 = 100 (ratio scale)



IN JAN.-JUNE, AT ANNUAL RATES

U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS

BASIC DATA: IMPORTS, CENSUS BUREAU; PRODUCTION, FIB; PETROLEUM, BUREAU OF MINES

99-61-10

consumption of petroleum increased and oil imports were maintained, although imports of a number of other industrial materials again declined.

Direct investments stimulate oil imports

The even greater rise in petroleum imports than in domestic demand can be largely attributed to the growth of United States direct investments in oil-producing facilities abroad, particularly in Latin America. In the early 1920's such investments were concentrated in Mexico which supplied practically all of our petroleum imports. As American oil companies subsequently shifted their foreign operations to other countries and enlarged their scope, similar changes occurred in United States imports.

Imports from Venezuela and the Netherlands West Indies, nonexistent in 1919, rose to \$97 million in 1929, while over the same period the value of American petroleum investments in this area increased from a mere \$23 million to about \$250 million. The accelerated expansion in American-owned oil-producing facilities in this area following World War II was likewise followed by a major increase in imports. By 1954 oil imports derived from such investments in Venezuela and the Netherlands West Indies had reached \$577 million, accounting for 70 percent of our total petroleum imports. American-owned producing facilities in Saudi Arabia and Indonesia and more recently in Canada have also become sources of oil imports in recent years.

Newsprint imports

Rising imports of newsprint also added an element of stability to the postwar import picture. The chart shows a continuous gain in newsprint imports from 1944 through 1952 and virtual stability since 1952. From 1952 through the first half of 1955 such imports were maintained at an annual rate of nearly \$600 million.

The demand for newsprint is closely associated with the rate of disposable personal income which has been a major sustaining factor in the postwar economy. The faster rise in newsprint imports than in disposable income during the early postwar years reflects the declining importance of the domestic newsprint industry in the total newsprint supply picture during that period. During the late 1940's domestic output was considerably lower than before the war, reflecting mainly the transfer to production of better grades of paper and other paper products. More recently, especially in late 1954 and in 1955, domestic production from new facilities has supplied the bulk of the increase in newsprint requirements. During the first half of 1955, however, imports continued to constitute more than 80 percent of the total new supply.

Prominent role of coffee imports

Imports of food, beverages and tobacco, swollen by large coffee purchases at relatively high prices, became still another major source of strength in foreign dollar earnings during the postwar period. At their peak in 1954 such imports amounted to \$3,350 million, accounting for about one-third of total United States imports. The steady advance in the value of foodstuffs imports from 1945 through 1954 was largely due to rising prices, particularly for coffee and cocoa. Even with the weaker coffee and cocoa prices prevailing in 1955 aggregate imports of food, beverages and tobacco were maintained at an annual rate of \$3,200 million in the first 6 months of the year.

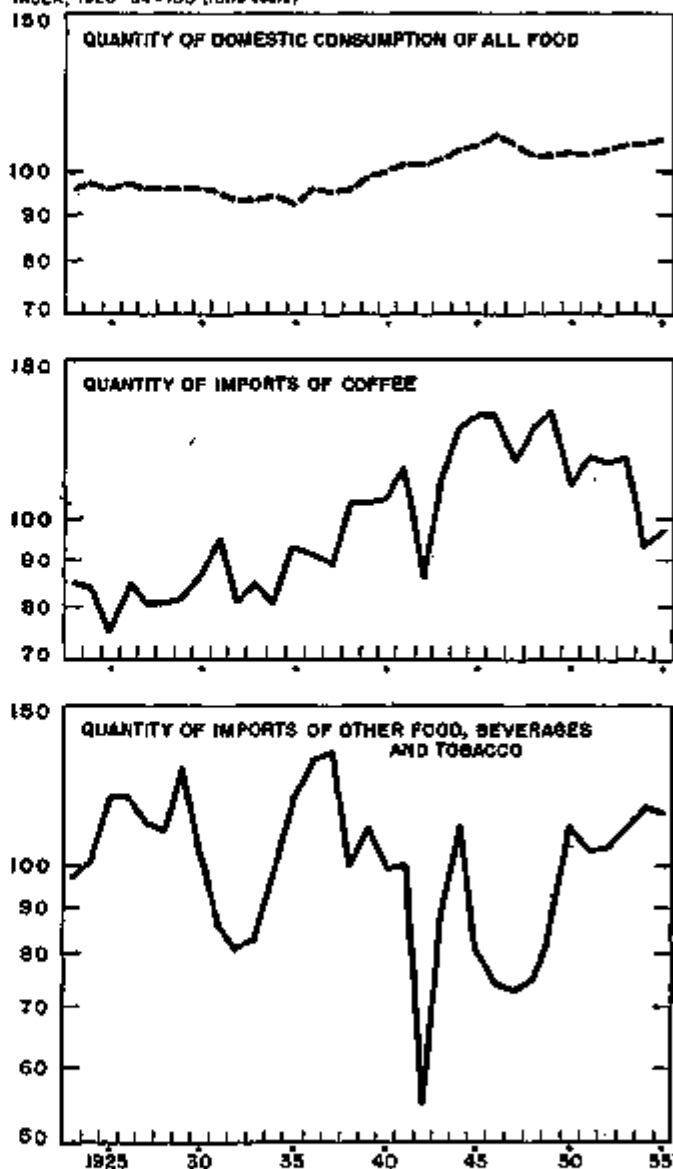
The chart compares on a volume basis relative movements in per capita imports of coffee and of other foodstuffs,

beverages and tobacco with corresponding changes in total domestic per capita food consumption.

Per capita coffee imports exhibited a strong upward tendency beginning in the early 1930's and extending through 1949, a rise which exceeded the growth in total domestic per capita food consumption. After 1949 when the first of a successive series of major price advances became effective

Per Capita Imports of Food, Beverages and Tobacco, and Per Capita Domestic Consumption of All Food

INDEX, 1923-24=100 (ratio scale)



SOURCE: DATA: FOOD CONSUMPTION, AGR. DEPT.; IMPORTS, CENSUS BUREAU.
* IMPORTS, JAN.-JUNE, AT ANNUAL RATES; FOOD CONSUMPTION, PYREL. EST.
U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS

50-61-11

the volume of coffee imports declined. The relative stability of coffee prices since the early months of 1955, together with the low level of inventories severely reduced by the postponement of purchases in the period of declining prices after April 1954, has recently spurred some recovery in coffee

imports. Nevertheless the current volume of imports is still considerably lower than in 1949 although the value has continued to be significantly higher.

Limited growth in other food imports

Rising per capita consumption of certain other food items after World War II considerably stimulated such imports as canned meats, shellfish and a number of other fishery products. Over the whole period since 1923, however, there is little evidence of any rising trend in total per capita food imports other than coffee (see chart).

Furthermore, per capita consumption data suggest that the demands for numerous imported foodstuffs and tobacco have risen relatively less than either the demands for coffee or for foodstuffs and tobacco which are produced domestically.

Among largely imported commodities, per capita consumption of sugar was even slightly lower in 1954 than during the immediate prewar years. Per capita cocoa consumption also decreased very moderately over the same period and tea drinking remained virtually unchanged. Notwithstanding the fact that total per capita cheese consumption is currently over 40 percent higher than in 1935-39, per capita consumption of imported cheese has declined. It is true that higher prices have substantially depressed the demand for cocoa, and to some extent imported cheese and certain other food imports.

Cigars and alcoholic beverages have also become less important items in the consumers' budget. The decline in per capita cigar smoking which began in the 1930's and has continued in the postwar period, coincided with a rise in domestic production of cigar-quality tobaccos. Imports of cigar-filler tobacco have thus been substantially reduced and imports of cigar-wrapper tobacco have virtually disappeared. Over the same period the greatly enhanced demand for cigarette tobacco was supplied by domestic output rather than by greater imports.

Consumption of alcoholic beverages, which climbed significantly during World War II and through 1946, declined subsequently and thereafter was relatively stable at a rate considerably below the 1946 peak. Imports have gained considerably since the mid-thirties and continued to rise after 1946, although such gains have been dampened in recent years by the stability of total alcoholic beverage consumption.

Recent upswing in consumer goods imports

Since World War II the value of imports of consumer goods other than food, beverages and tobacco has risen at a considerably faster rate than total disposable personal income. Such imports, comprising mainly finished retail items, climbed to an annual rate of \$1.1 billion during the first half of 1955 and currently promise to register greater than seasonal gains in the remaining months of the year. Presently these goods account in value for 10 percent of total imports of all commodities, having become increasingly significant in the overall import picture, especially after 1952.

Notwithstanding their rising tendency during the postwar years imports of finished consumer goods have continued to be lower relative to disposable income than in 1929 or even in 1937 (see chart). This development reflects largely the major shifts which have occurred in the pattern of consumer spending.

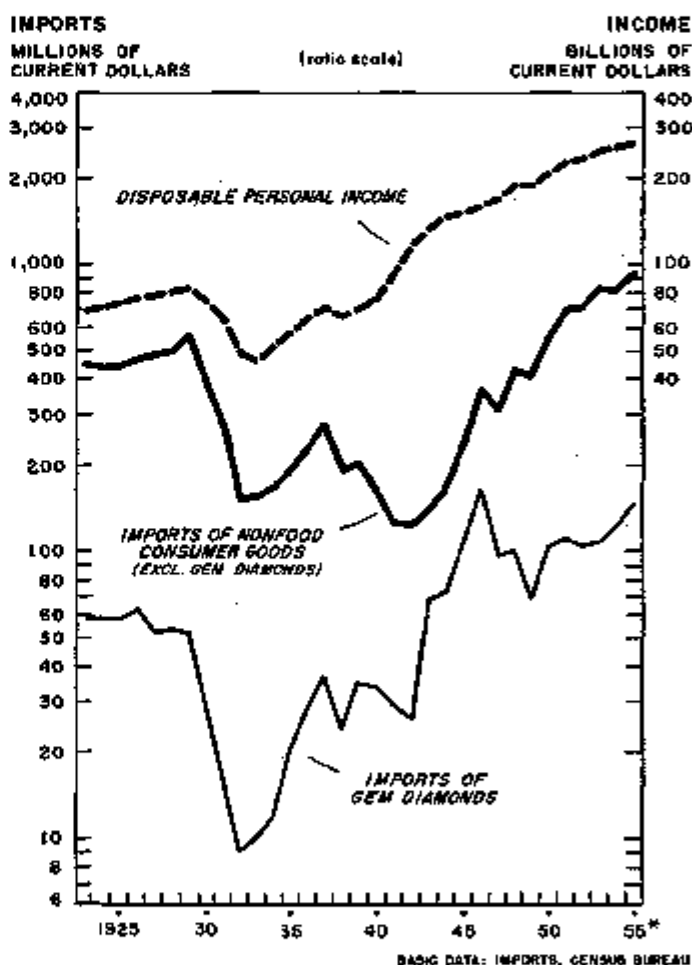
Changed consumer buying pattern

Table 2 shows that imports of finished textiles and leather, which constituted nearly one-half of all imports of consumer

goods in 1929 and 1937, have weakened substantially in comparison to most other imports of consumer items. In the first half of 1955 the value of such imports at an annual rate was scarcely higher than in 1929.

The declining importance of imports of finished textiles and leather recalls the similar relative weakness in imports of fibers, leather and other raw materials associated with production in the softgoods industries. Both can be explained to a large extent by the decreased proportion of consumer disposable incomes going for clothing and accessories in the postwar as compared with prewar years. Within the postwar period itself, moreover, expenditures for clothing and shoes have accounted for a diminishing portion of total personal consumption expenditures.

Imports of Nonfood Consumer Goods and Disposable Personal Income



* JAN.-JUNE, AT ANNUAL RATES; DISPOSABLE PERSONAL INCOME BASED ON SEASONALLY ADJUSTED DATA

U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS

55-61-12

The rise in consumer expenditures on durable goods during the postwar period also had important effects on imports. Although postwar imports of clocks and watches were far in excess of either the 1929 or 1937 rates, such imports became somewhat weaker after 1953. Gem diamonds, the other major item in this category of imports,

have made substantial gains, especially in the first half of 1955. In the years immediately following World War II, the ratio of diamond imports to disposable personal income was higher than at any other point in the whole period pictured on the chart.

It may be noted that artworks comprised 13 percent of the aggregate value of all consumer goods imports in 1929 and 7 percent in 1937 compared with 4 percent in the first half of this year (see table 2).

Imports of automobiles and parts were at an annual rate of \$84 million in the first half of 1955 as contrasted with barely \$3 million in 1929 and \$2 million in 1937. Negligible before the war, imports of sewing machine heads amounted to \$26 million at an annual rate in the first 6 months of the current year. It is noteworthy that American-owned manufacturing plants abroad supply part of our imports of both sewing machines and automobiles.

Table 2.—United States Imports of Selected Nonfood Consumer Goods

Commodity	1929		1937		1954		1955 (Jan.-June at annual rate)	
	Mil- lions of dollars	Per- cent of total	Mil- lions of dollars	Per- cent of total	Mil- lions of dollars	Per- cent of total	Mil- lions of dollars	Per- cent of total
Total, nonfood con- sumer goods.....	613	100	315	100	330	100	1,096	100
Textiles and leather goods.....	294	48	147	47	220	67	316	29
Gem diamonds.....	62	10	37	12	123	37	149	14
Other jewelry and watches.....	51	8	20	6	109	33	102	9
Automobiles and parts.....	3	1	2	1	62	19	84	8
Bicycles and other vehicles (excluding aircraft).....	2	(1)	1	(1)	30	9	30	3
Artworks.....	82	13	22	7	28	9	62	6
Sewing machines and parts.....					23	7	26	2
Toys, athletic and sporting goods.....	7	1	4	1	20	6	22	2
Cutlery, hand tools, and other steel products.....	3	1	4	1	35	11	42	4
Other and miscellaneous.....	130	21	70	22	233	71	272	25

1. Less than one-half of one percent.

Sources: U. S. Department of Commerce, Office of Business Economics; basic data, Bureau of the Census.

Bicycles have likewise become a prominent import item in recent years. Imports of toys, photographic goods, cutlery, and furniture have also contributed significantly to the rising trend in our aggregate imports of consumer goods.

Marginal character of farm material imports

Although it is anticipated that the volume of agricultural output will be at its all-time high during 1955, the value of imports used in farm production dropped to a seasonally adjusted annual rate of \$350 million in the first half of the year, nearly 40 percent below the postwar peak reached in 1952. The wide variations in imports during both the postwar and prewar periods were largely due to the marginal character of the imports themselves rather than to changes in the total volume of farm output.

Fluctuations in imports of animal feedstuffs accounted for most of the rise in this group of imports from 1948 through 1952, and for most of the decline which began after 1952. Changes in feed grain purchases, especially corn, also contributed significantly to the wide movements in this group of imports during the 1930's. During these years high imports of feedstuffs coincided with supply shortages following the droughts of 1934 and 1936. During the postwar

period, fluctuations in imports have also tended to reflect opposite movements in the volume of available domestic supplies.

Imports of fertilizers, another major item in this category, have also met increasing competition from domestic production. Although in 1953-54 domestic consumption of nitrogen fertilizers was nearly 5 times as great as in 1938-39, imports were hardly double the 1938-39 rate. This country's current dependence on burlap imports is likewise far less than during the prewar period. The volume of imports in the first half of 1955 was lower than in either 1929 or 1937, reflecting the large-scale switch to domestically produced container materials such as cotton and paper.

To some extent, the increased marginal character of these items during the postwar period has been offset by the greater importance of imports of agricultural machinery and equipment. Such imports, almost negligible before World War II, reached a peak annual rate of nearly \$100 million in 1951-52 and have since stabilized at an annual rate of about \$70-75 million. The majority of these imports are shipped from United States-owned manufacturing facilities abroad or from Canadian firms to their subsidiaries in the United States.

Total imports more stable

The summary chart on p. 16 shows that as a net result of these major developments within the domestic economy since World War II, the volume of imports has been more stable during the past 10 years than in the prewar period. During the postwar period, there were no major setbacks in domestic business activity or in total import demand which can be compared with those occurring in 1929-33 and in 1937-38.

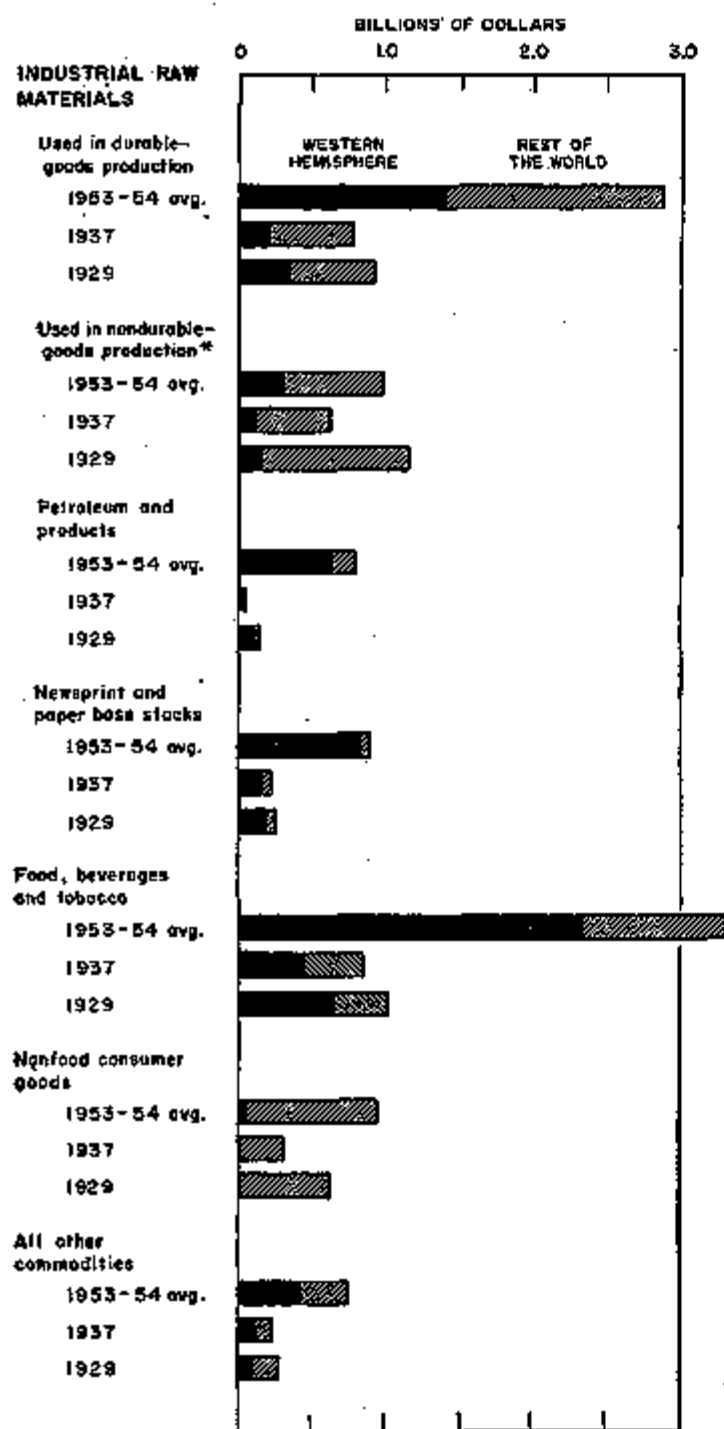
The fluctuations in total imports during the postwar period were not only absolutely smaller than before the war but it also appears that imports as a whole were somewhat less sensitive to changes in business activity. This may perhaps be due to the fact that the downswings in business activity during the postwar period were minor adjustments in a period of substantial growth. It may also be attributable, however, to changes in the import pattern, particularly the rising share of the total import value held by petroleum, paper, and foodstuffs.

Imports related to durable-goods production, which comprised about the same percentage of total imports as immediately before the war, are in the case of many materials less sensitive to changes in total demand than might be expected—due to lower foreign costs of production and the better competitive position of some materials produced abroad.

Although the decline in the quantity of total imports from 1953 to 1954 was nearly as large, relative to the corresponding downturn in the volume of total domestic output as in 1937-38, the reduction in the volume of imports from 1953 to 1954 was largely due to special circumstances unrelated to the dip in domestic business activity.

From 1953 to 1954 the quantity of coffee imports fell by nearly 20 percent although the value increased as a result of the new series of price advances effective in 1954. The drop in steel imports which in 1953 had been swollen by deliveries on orders placed during the steel strike in 1952, and in Government purchases for the strategic stockpile, also weighted heavily in the overall dip in the volume of imports from 1953 to 1954. Taken together, the reduction in the volume of coffee and steel imports and in purchases for the Government stockpile, accounted for over half of the total decline in the quantity of imports from 1953 to 1954.

U. S. Imports from Western Hemisphere and Rest of the World



*IMPORTS, NOT ELSEWHERE CLASSIFIED; CONSIST MAINLY OF FIBERS AND LEATHER
 U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS 55-81-13

Shift in supply sources

These major changes in our import demand have produced widely varying effects on the dollar earnings of individual

foreign countries and areas. Virtually every category of imports reflects the pronounced shift from the prewar to the postwar period in the relative importance of the Western Hemisphere and the rest of the world as supply sources for this country's imports (see chart). In the first half of 1955 Western Hemisphere countries supplied nearly 55 percent of our total imports as compared with about 35 percent in 1929 and 1937. Canada alone provides nearly one-fourth of our current import purchases, a portion almost double that prevailing in the prewar period.

The corresponding expansion in imports from Latin America, while not as striking as in the case of Canada, also indicates a far greater dependence upon Latin American sources of supply. During the years 1929 and 1937, Latin America, Continental Europe, and the sterling area each contributed somewhat over one-fifth of total United States imports. In 1954 and 1955, however, our imports from Latin America alone have virtually equalled our combined imports from Continental Europe and the sterling area.

This development resulted mainly from the greater concentration of our import demand upon metals, newsprint, petroleum, coffee, and other items which traditionally have been obtained from Western Hemisphere sources, and the diminished emphasis on imports of consumer goods and certain industrial raw materials, particularly silk and other fibers, tin and rubber which comprised the bulk of our prewar demand for imports from other areas. It was accentuated by the fact that since World War II Western Hemisphere countries have accounted for a greater proportion of the United States import market for major commodities such as woodpulp, cocoa, and tin, with an accompanying reduction in the proportion coming from the sterling area and Continental Europe.

Recent gains from Western Europe and Japan

The relative losses of Continental Europe and the sterling area have, however, been moderated by the substitution of new types of exports to the United States during the postwar period. Petroleum imports from the sterling area, negligible before the war, amounted to \$110 million at an annual rate in the first half of the current year. Imports of items such as automobiles, bicycles, and sewing machines from the United Kingdom and Continental Europe, civilian aircraft and tractors from the United Kingdom, and European steel and canned meat, account in large part for the substantial absolute gains in our overall imports from Western Europe in recent years.

The progress which these countries have made in expanding their total output and adapting their export industries and marketing techniques to changed demand conditions in the American economy is indicated by the fact that total imports from Western Europe climbed from a yearly average of somewhat less than \$1 billion in 1948-49 to an annual rate of over \$2.2 billion in the first half of 1955.

Imports from Japan have also contributed to the relative decline in our overall imports from outside the Western Hemisphere during the postwar years. It is apparent, however, that Japan, which suffered the loss of much of its large prewar silk market in the United States, has also become successful in marketing new types of products in this country. Prominent among such new products are plywood, steel, sewing machines and various other consumer items. By the first half of 1955 imports from Japan other than silk reached an annual rate of nearly \$350 million, nearly 5 times the average rate in 1948-49 and over 3½ times the rate in 1937.

National Income and Product—A Review of the Third Quarter

(Continued from page 5)

in hourly earnings accounted for the other half of the total wage increases. The effects of changes in the number of hours worked were on the whole small, and largely offsetting in nature.

The impact of the factors affecting the wage change in manufacturing, however, was quite different from that in most other private industries. Largely as a result of the round of pay increases—which were particularly notable in lumber, primary metals, fabricated metals, autos, petroleum and chemicals—the change in hourly wage rates accounted for two-thirds of the total increase in manufacturing payrolls, and further employment increases for the remaining third. By contrast, in the nonmanufacturing payroll rise these factors were almost exactly reversed, with the employment increase representing the dominant factor.

Government wage and salary disbursements added about

\$1½ billion at an annual rate to the flow of personal income in the third quarter. About two-thirds of this rise was attributable to the pay raise enacted for Federal civilian employees. The increased disbursement that was made during the quarter included retroactive payments extending back to the first quarter of this year. When the pay raise is allocated back to the period in which it was earned—as it is in the national income measure—there is no appreciable difference between the second and third quarter Federal payrolls. Military pay was maintained practically unchanged at a \$9 billion annual rate.

State and local government payrolls advanced by approximately \$½ billion at annual rates. Reflected in this increase were both the expanded wage bill of public education that was manifested at the start of the new school year, and the continued growth in general administrative payrolls

Agricultural Production and Income

(Continued from page 9)

siderably lower prices. The 1955 spring pig crop was 9 percent larger than in 1954, and as the marketing of these hogs expanded in the fall months, hog prices dropped below \$15.00. A purchase program for pork and lard was announced by the Secretary of Agriculture in October. The pork and lard bought will be used for current consumption through the nonprofit school lunch program, institutions, and other eligible outlets. The products purchased will be those derived from higher qualities of lighter-weight hogs with the intention of encouraging farmers to market at lighter weights.

Farmers indicated that they intended to increase the number of sows farrowing in the fall of 1955. Further changes in hog numbers may be affected by the recent substantial break in hog prices but there have also been further declines in corn prices. Though feed supplies not under price support are large, the ratio of hog prices to feed prices is less favorable than the ratio for other livestock and livestock products.

More milk and eggs

Milk production in 1955 is estimated to be slightly ahead of 1954. Though production in the first half of the year was a little lower than a year earlier, some increase developed in the third quarter as milk prices edged above a year ago and feed prices were considerably lower.

A rise in fluid milk and cream consumption, which has

slightly exceeded the increase in population, and a stepped-up domestic disposal program have been important influences contributing to an improved dairy farm income position. CCC purchases of butter, cheese, and skim milk are all down (for the second year) and accumulated stocks of these products have been reduced sharply through foreign and domestic disposal programs.

Poultry and egg production have shown considerable shifts during the course of 1955. Combined production for the year is estimated to be slightly above 1954. Prices of both poultry and eggs have been above a year ago and cash receipts from the sale of these products are appreciably higher. A smaller number of chickens were raised for laying flock replacement this year, but with more favorable egg prices and cheaper feed, farmers have culled flocks more slowly. As a result the number of layers has shown only a small decline and egg production has been well sustained during the year. Broiler production was somewhat lower in early 1955 than the year before. It has shown a rising trend during the year accompanied by a decline in prices though prices have remained higher than a year earlier.

Wool production in 1955 is about the same as in 1954. Prices, which have not been supported this year, have ranged from 5 cents to 15 cents per pound lower than the average of 54 cents last season, but producers are eligible for incentive payments. There has been a general decline in wool prices in world markets as supplies have increased and synthetic fiber production has advanced.